ECONOMIC OUTLOOK 2015
ST. JOHN'S CENSUS METROPOLITAN AREA

Outlook for 2015

Economy

Economic growth in the CMA – as measured by real GDP – is expected to increase in 2015, but only marginally. GDP in the oil industry is expected to decrease, while declines are also anticipated in the construction sector. These declines are expected to be offset by growth in the service sector as modest income growth continues. Real GDP in the St. John's CMA is expected to increase by 0.3 per cent in 2015, in comparison to a decline of 0.3 per cent for the province as a whole. Total oil production in the province is expected to be 78.3 million barrels in 2015, a decrease of 0.7 per cent (or 0.5 million barrels) from 2014. Despite seeing some declines, investment associated with major project development will continue to generate substantial economic activity in the region in 2015.

Economic Indicators
St. John's Metropolitan Area, 2014-2015

	2014e	2015f	% Change 2014e-2015f
Real GDP (2007$M)	14,480	14,526	0.3
Employment (000s)	116.3	116.6	0.3
Labour Force (000s)	123.6	125.7	1.7
Unemployment Rate (%)	6.0	7.2	1.2 ppts
Participation Rate (%)	69.9	70.4	0.5 ppts
Household Income ($M)	10,139	10,336	1.9
Retail Trade ($M)	4,028	4,029	0.0
Housing Starts	1,230	1,125	-8.5
CPI (2002=100)	128.2	129.5	1.0
Population (000s)	211.7	212.6	0.4

Source: Statistics Canada; Economic Research and Analysis, Department of Finance, Government of Newfoundland and Labrador
e: estimate; f: forecast

Labour Force

Employment in the St. John's CMA is forecast to grow by 0.3 per cent with most sectors seeing little or no growth. Declines in construction employment are expected to be offset by modest increases in the services sector. Since the growth in the labour force is expected to be greater than employment, the unemployment rate is expected to increase by 1.2 percentage points to 7.2 per cent.

Household income

Household income is expected to show some growth driven by wage gains. However, the lack of significant growth in household income, public sector restraint and uncertainty surrounding commodity prices will likely constrain consumer spending with retail sales expected to remain flat at $4.0 billion in 2015. Housing starts are expected to decrease by 8.5 per cent to 1,125 units.

Population

The population of the St. John's CMA is expected to continue to grow to 212,600, an increase of 0.4 per cent compared to 2014.

2014 Performance

The St. John's Census Metropolitan Area (CMA) recorded a mixed economic performance in 2014. While real gross domestic product (GDP) declined slightly, many other economic indicators recorded positive growth. Real GDP in the CMA decreased 0.1per cent to $14.5 billion compared to a decline of 1.9 per cent at the provincial level. This was largely due to the impacts of declining oil production and a weaker housing market which were mostly offset by growth in other areas of the economy. Real GDP excluding oil production actually grew by 1.0 per cent.

The CMA labour market performed well in 2014 as employment growth in professional, scientific and technical industries, retail trade and other private sector service industries more than offset lower public sector and manufacturing employment. Employment in the St. John's CMA increased by 2.0 per cent (or 2,300) to 116,300 in 2014 and the labour force grew by 1.6 per cent to 123,600. Since the growth in employment was greater than that in the labour force, the unemployment rate decreased by 0.3 percentage points to 6.0 per cent. This was the lowest unemployment rate in at least 40 years and is the 12th lowest unemployment rate out of 35 CMAs in Canada. These labour market results are further evidence of continued momentum in the CMA.

Household income increased 6.0 per cent in 2014 to $10.1 billion, driven by wage gains and employment growth. Increased household income resulted in solid growth in the retail sector with retail sales rising by 4.8 per cent to $4.0 billion. Housing starts fell by 29.1 per cent to 1,230 units as both single and multiple[1] starts saw significant declines. These declines were not unexpected given the rapid expansion in this sector over the past 10 years.

In 2014, the St. John's CMA recorded an annual population increase for the 16th consecutive year. Gains resulted from natural growth (more births than deaths) and net in-migration to the region. As of July 1, 2014 the population of the St. John's CMA is estimated to have been 211,700, up 1.2 per cent from the previous year.

[1] *Multiple starts include apartments and condos.*

ST. JOHN'S

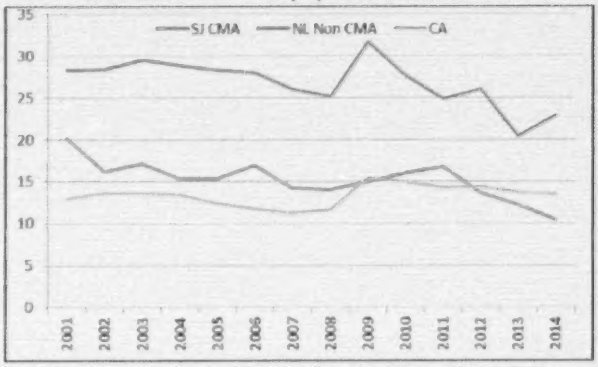
Prepared by Economic Research and Analysis, Department of Finance, Government of Newfoundland and Labrador and the City of St. John's (Office of Strategy & Engagement)

June 2015

Youth Employment in the St. John's Census Metropolitan Area

The rate of youth[1] unemployment in Canada has historically been higher than that of the general labour force. This generally results from the fact that youth lack the mobility, training and experience of older workers. Since 1976, the ratio of the Canadian youth unemployment rate to that of the overall unemployment rate has fluctuated between 1.5 and 2.0, meaning the youth unemployment rate is 1.5 to 2.0 times higher than that of the total labour force. From the mid 80s to the mid 90s, this ratio remained steady at around 1.5, but then spiked in 1997. The ratio has been slowly rising since, and was just below 2.0 in 2014.

Youth Unemployment Rate

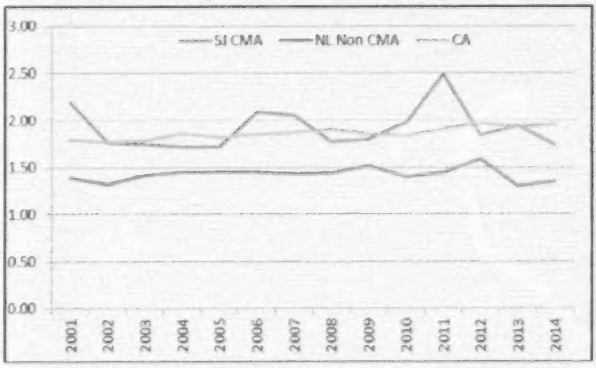


Source: Statistics Canada; Economic Research and Analysis, Department of Finance, Government of Newfoundland and Labrador

The Newfoundland and Labrador youth unemployment rate has been steadily improving since peaking at 32.4 per cent in 1984. Since then, it has trended downward with the unemployment rate among youth in 2014 reaching 19.3 per cent (see chart). This decline has been in line with general declines in the Newfoundland and Labrador unemployment rate. As a result, the ratio of the youth unemployment rate to that of the general labour force in Newfoundland and Labrador has remained steady at around 1.5 over most of the last 14 years (see chart).

The youth unemployment rate in the St. John's CMA has been steadily trending downward over the past decade in line with the total unemployment rate. In 2014, the youth unemployment rate in the CMA fell to 10.4 per cent, below even the national average of 13.5 per cent. The youth unemployment rate in the CMA also compares favorably with other CMAs in the country. The 2014 average unemployment rate among CMAs in Canada was 13.1 per cent, much higher than in the St. John's CMA.

Ratio of Youth Unemployment Rate to Total Unemployment Rate



Source: Statistics Canada; Economic Research and Analysis, Department of Finance, Government of Newfoundland and Labrador

Though the youth unemployment rate in the CMA is much lower than in the rest of the province, the ratio of the youth unemployment rate to the total unemployment rate in the CMA is actually higher. This means that relatively speaking, the disparity between youth unemployment rates and total unemployment rates was greater in the CMA than in the rest of the province. Since 2001, the ratio of the youth unemployment rate to the total unemployment rate in the CMA has fluctuated around 1.9. This compares with an average youth unemployment rate to total unemployment rate in Canadian CMAs of 2.0.

[1] *Youth refers to people ages 15 to 24.*